

**MINUTES  
of the  
SEVENTH MEETING  
of the  
JOBS COUNCIL**

**December 2, 2013  
State Capitol, Room 307  
Santa Fe**

The seventh meeting of the Jobs Council (council) was called to order by Representative W. Ken Martinez, co-chair, on December 2, 2013 at 8:35 a.m. in Room 307 of the State Capitol in Santa Fe.

**Present**

Rep. W. Ken Martinez, Co-Chair  
Sen. Mary Kay Papen, Co-Chair  
Terry Brunner  
Sen. Stuart Ingle  
Beverlee J. McClure  
Rep. Rick Miera  
Rep. Debbie A. Rodella

**Absent**

Ray M. Baca  
Rep. Donald E. Bratton  
Sen. Phil A. Griego  
Sen. Michael S. Sanchez

**Advisory Members**

Rep. Stephanie Garcia Richard  
Sen. Michael Padilla  
Rep. Thomas C. Taylor

Sen. William F. Burt  
Rep. Mary Helen Garcia  
Sen. George K. Munoz  
Sen. John C. Ryan  
Rep. James P. White

**Guest Legislators**

Sen. Jacob R. Candelaria  
Rep. Ernest H. Chavez  
Sen. Carlos R. Cisneros  
Rep. Sharon Clahchischilliage  
Sen. Lee S. Cotter  
Rep. Anna M. Crook  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Ron Griggs  
Sen. Timothy M. Keller  
Rep. Larry A. Larrañaga  
Sen. Clemente Sanchez

**Staff**

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)

Raúl E. Burciaga, Director, LCS

Monica Ewing, Staff Attorney, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Monday, December 2**

Representative Martinez welcomed council members and guest legislators from the Transportation Infrastructure Revenue Subcommittee (subcommittee) to the meeting.

**Minutes**

The council, without objection, approved the minutes of the sixth council meeting.

**Overview of Findings of the Subcommittee**

Representative Gonzales reported on the work of the subcommittee. He said that the subcommittee recognized the importance of new transportation technology used by local, state, national and international governments, including Brazil, China and Japan. Transportation infrastructure, he said, is as important as utilities, internet and other forms of infrastructure in the state.

Representative Crook addressed the council, saying that the state's road conditions are worsening and that transportation revenue is decreasing. She stressed that these issues need to be addressed. She summarized a presentation made to the subcommittee on a "miles traveled" approach to transportation revenue and noted that New Mexico's gas taxes are among the lowest in the country.

Representative Larrañaga highlighted the low level of money in the State Road Fund and noted that in order to keep up with inflation, the Department of Transportation (DOT) needs 250% more funding. The department needs to perform \$630 million worth of road and bridge construction. Federal funding is unpredictable, and the department's lost buying power, due to insufficient funding, is significant. Other states are facing similar funding issues and are seeking legislation or ballot measures to address the issues. Wyoming and Vermont increased their gas taxes, and Oregon imposed road-use fees. Other revenue options include electronic vehicle taxes, toll roads and special fuel taxes. He acknowledged that new taxes and fees will be hard to implement in New Mexico without educating the public on the issue.

Senator Clemente Sanchez stated that job creation and state commerce depend on transportation revenue. The state cannot become an economic hub without better transportation infrastructure. He noted that the state's roads are in good condition compared with those in other states, but improvements are needed. The subcommittee's work built a foundation for creating solutions in the next year.

Representative Gonzales concluded the subcommittee members' report by saying that for every \$1 billion invested in highways, 27,800 jobs in construction and related industries are supported. He reiterated the importance of quick action to address transportation funding issues and added that any solution should be fair for everyone who will be affected. Legislation addressing natural gas and taxes on gasoline and diesel fuels is likely forthcoming.

### **Questions and Comments**

A legislator opined that a resolution should not come from piecemeal legislation but, rather, through a substantial, long-term revenue stream.

Another legislator noted that the state is losing revenue through failure to collect fees and fines related to the trucking industry. Secretary-Designate of Transportation Tom Church stated that the Taxation and Revenue Department has collected \$1.8 million in fines for abuses related to trucking, but a study showed that the actual cost of those abuses is in the range of \$40 million to \$50 million, which represents a significant loss of potential revenue. Secretary-Designate Church added that there is a labor shortage at the state's ports of entries and that 70 additional full-time employees would be needed in order to keep the ports constantly open and managed. A legislator suggested that full staffing and funding for electronic readers on trucks could be part of a solution.

A representative of the DOT noted that the department spends \$168 million per year on debt payments, which results in lost buying power.

In response to a question, a member of the subcommittee said that the state is considering proposals related to using natural gas in state vehicles and school buses.

Secretary-Designate Church said he believes that most of the money dedicated to statewide transportation construction is paid to New Mexico companies, with the exception of a few Colorado and Arizona companies. He added that when the department considers companies for projects, the companies participate in a registration qualification process in which a company's home of record and financial information are examined.

A council member noted that Congress has provided surface transportation funding and that several federal agencies that work on transportation issues, including the United States Department of Agriculture, could help the state. Another legislator added that public-public (as opposed to public-private) partnerships are an effective development tool, in part because

governments are able to obtain financing at lower costs than private entities. Secretary-Designate Church added that the portfolio average interest rate for transportation projects is 4.6%.

In response to a question about the trucking industry and the impact of heavy loads on the state's roads, Secretary-Designate Church stated that New Mexico is one of the few states that continue to impose weight-distance taxes in addition to diesel taxes. He added that trucks are taxed through the international fuel tax agreement, and New Mexico receives a portion of the taxes paid through that agreement.

## **Review of Council Process**

Mark Lautman, lead program consultant to the council, made a short presentation in which he reviewed the council's interim work, findings and recommendations for legislation.

Mr. Lautman provided an overview of the process and the logic model used by the council. He explained the deliberations and the decisions made at each of the council's previous six meetings. He emphasized that the council agreed to consider only economic base jobs — those that involve goods and services paid for by out-of-state consumers — in its job-creation deliberations. He added that the council agreed to include health care and other nontraditional economic sectors because of the potential for significant economic base job creation in those sectors. He underscored the inclusive nature of the council's work, which was intended to complement concurrent economic development efforts throughout the state.

Mr. Lautman reported that the job-creation estimates made by the council in its sessions had been reviewed by economic development experts who validated the council's estimates. He noted that the council's work and estimates were limited by the number and diversity of participants at each session.

Mr. Lautman reviewed some of the results of the council's deliberations. The council determined in its initial meetings that the state would need to create approximately 160,000 jobs in the next 10 years in order to restore the state to 2007 employment levels. In a subsequent meeting, the council considered the number of jobs that might be created over 10 years in 13 economic base sectors, and it estimated that 162,000 jobs could be created. The council dedicated time to determining which of those 13 sectors have active procuring agents — people or agencies responsible for job creation — who could be charged with ensuring that funding and resources produce additional jobs. The council found that several sectors — health and social services, exported services, solo/independent work, extractives, agriculture and educational services — had no active program approach or procuring agent.

Representatives from the state's councils of governments were invited to participate in the council's process. Mr. Lautman stressed the importance of gathering input from local representatives who are best situated to estimate the job-creation possibilities and obstacles in their communities.

Mr. Lautman reported that at its fifth meeting, the council began to consider legislative actions that could affect statewide job creation. The council deliberated on how investments in economic development could be used to maximize job creation. The council also developed a list of seven criteria that could be used to help evaluate legislative proposals for their impact on job creation.

### **Overview of Findings of the Council**

The council considered its findings from each of the council's first five meetings.

**Session One.** The council adopted three findings from the first session, which related to the work to be accomplished by the council and the council's focus on economic base jobs.

**Session Two.** The council adopted two findings from the second session. The first finding was the council's estimate that New Mexico needs to create more than 160,000 economic base jobs in order to recover to pre-recession employment levels. The second finding was that the state, whose business recruiting arm, New Mexico Partnership, aims to create 1,700 jobs per year, may be underinvesting in job creation by an order of magnitude.

**Session Three.** The council adopted the following five findings from the third session: 1) 162,000 new economic base jobs classified into 13 economic base sectors can be created in the state; 2) the state can generate the jobs required for the designated recovery; 3) the state must pursue job creation in every sector and execute job-creation measures quickly; 4) the state is not in a position to be selective about which economic sectors it will pursue; and 5) more than 95% of new economic base jobs will have to come from the private sector. A council member suggested, and the council agreed, that the time line used for the council's work should be adjusted from 2013 through 2023 to 2014 through 2024.

**Session Four.** The council adopted the following four findings from the fourth session: 1) the estimated number of economic base jobs potentially created in all districts and in all 13 economic sectors is 174,276; 2) potential economic base jobs created in each sector vary widely among the state's seven districts; however, "qualified workers", "infrastructure" and "sales and marketing capacity" were identified as the most significant factors of production gaps throughout the state; 3) few counties or communities perform the kind of assessments or engage in planning efforts that would help to inform the council in its assessments; and 4) development of a viable statewide assessment and planning model would require additional data from the state's communities.

**Session Five.** Following some discussion, the council adopted the following seven findings from the fifth session: 1) state and local economic development, tourism and business incubation organizations will be able to formally manage only a small number of the transactions that will be needed to create 162,000 jobs; 2) many of the 162,000 jobs will have to be generated organically rather than through traditional economic development approaches; 3) state and local economic development organizations, with their current capacities, would be able to manage only

about 20% of the 16,000 new jobs that would be created each year; 4) marketing and staffing budgets for state and local economic development organizations will have to be restored in order to enable the organizations to manage the council's estimated job-creation numbers; 5) six of the 13 economic sectors have no programs or procuring agents to aid with development and job-creation efforts; 6) the expansion of Medicaid and the federal Patient Protection and Affordable Care Act will result in the creation of economic base jobs in the state; and 7) detailed local level assessments will be necessary in order to design legislative actions to target factors of production gaps throughout the state.

During discussion on the session five findings, Mr. Lautman reminded the council that the creation of one economic base job will lead to two service sector jobs. Responding to a question about procuring agents for solo workers, he said that there are many opportunities for organizations, including research universities, to dedicate resources to become procuring agents for solo workers. He emphasized that resources should be allocated to organizations for procurement, especially when those organizations have local and private financial support.

### **Recommendations for Legislative Action**

Mr. Lautman reported that at its sixth session, the council deliberated on potential legislative actions aimed at job creation. Those potential actions were organized into four categories and considered in turn by the council for adoption. (The legislative action proposals can be found in the "Session 7 Review of Final Report" and the "Legislative Actions" handout, in the section titled "Recommended Legislative Actions".)

#### **1. Develop a Statewide Assessment and Planning Process**

The council discussed five proposed legislative actions in this category and, following discussion, adopted all five proposals.

A council member suggested that assessments of infrastructure might be as useful as work force assessments. Mr. Lautman responded that the kinds of tools used to evaluate economic development proposals for job-creation possibilities could also be used to evaluate bills aimed at economic development through infrastructure improvements.

Another member raised the matter of whether government should be creating jobs or simply creating an environment in which jobs can be created. He added that the legislature can address factors of production gaps. A member responded by noting that the state's infrastructure is failing, and without quick action, the state may have to completely rebuild infrastructure.

A council member expressed optimism about community response to the council's work. He stated that he supported extending the council's work for one more year and working collaboratively with the councils of governments throughout the state. Mr. Lautman agreed that the process would be most effective if local communities were to collect data for use at the state level.

A member noted that the council's legislative web page contains links to economic development plans prepared by organizations throughout the state.

## **2. Expand and Improve Proven Programs**

The council discussed eight proposed legislative actions in this category and, following discussion, adopted all of them. A member recommended that several of the proposals be introduced through a comprehensive job-creation appropriations bill.

A member asked about a proposal concerning closing funds. A representative from an economic development organization in Rio Rancho stated that closing funds can be used to encourage a company to locate in New Mexico. The funds could be used to assist a company by improving a building or providing training to expedite hiring, for example.

## **3. Develop New Economic Base Job-Creation Programs**

The council discussed seven proposed legislative actions in this category. After discussion, the council agreed that the proposals would be adopted as part of the council's future action plan.

Regarding the second proposal, a member informed the council that the Legislative Health and Human Services Committee (LHHS) is working on creating a task force related to the state's health care work force. He suggested that the council's work could be coordinated with the work of the LHHS and that ineffective health care work force programs should be discontinued. Mr. Lautman added that it is possible that job creation in the health care sector will not need to be managed by a traditional economic development organization.

Regarding the third proposal, a member suggested that the state's universities might be able to help create pilot programs to address solo work opportunities. Another member added that an economic development organization in the middle Rio Grande region has already designed program modules for a pilot program aimed at solo work.

A member suggested that a study could be performed to identify strategies for helping companies that contract with the state and federal governments. She noted that there are many obstacles for companies bidding on government contract work, and a report on those obstacles and possible solutions could be presented to the council.

In connection with the fifth proposal, Mr. Lautman stated that the United States Forest Service is expected to spend a significant amount of money thinning the state's forests. That activity will create economic opportunities, especially for the state's rural communities. He added that the thinning provides opportunities in the wood, biomass, mill, wood pellet, wood pallet and wood chip industries, but traditional economic development work is not yet focused on those industries.

#### **4. Improvements in Factors of Production and the General Ecosystem for Statewide Job Creation**

The council discussed approximately 12 proposed legislative actions in this category and, after discussion, categorized all of the proposals as "works in progress" that the council would continue to develop.

Mr. Lautman informed the council that fewer suggestions and legislative proposals were received from meeting participants and council members with respect to the fourth category of proposals than for the other categories. He added that more specific proposals could be developed later.

A member noted that he had been considering post-performance programs, such as a program initiated in Utah by which parties are paid for state contract work and provided tax incentives only after the parties have fulfilled all of their contractual obligations. He added that there could be administrative issues that would have to be resolved if New Mexico instituted such a program. Another member suggested that dynamic scoring for contracting companies would have to be performed under a program like Utah's.

#### **Evaluation Criteria**

Tim Karpoff, facilitator for the council, reviewed the proposed legislation criteria and questions, which were developed by the council. He said that the intention of the list of criteria was to provide legislators with a tool to help them when considering economic development and job-creation-related legislative proposals.

Mr. Karpoff listed the following criteria for the council.

1. Moving the needle: how many economic base jobs are at stake?
2. Special impact: is there a special impact on a local community?
3. Return on investment: what will be the potential return on investment?
4. Accountability: is there a proven program and a procuring agent working on a plan with clear targets and realistic performance metrics?
5. Leveraged cooperation: what other resources are being leveraged?
6. Immediacy: how soon does this proposal move the needle on job creation?
7. Strategic intangibles: what is the overall strategic value of this proposal?

#### **Public Comment**

A few members of the public addressed the council at the end of the meeting. The first commenter stated that she believes that the most important issue for the legislature is to determine the state's role in helping private business. Referring to the millions of dollars provided to the film industry, she asked whether the state could provide incentives at that level and maintain funding for social programs. Representative Martinez thanked her for her attendance and comments.



A representative from the Southwestern Area Workforce Development Board also addressed the council. He stated that he and his colleagues were asked to participate in the council's work during the 2013 interim. He offered his organization's technical assistance for any continued work of the council. He added that he believes that the Job Training Incentive Program is an important economic development tool, whether it is used like a closing fund or as a program for customizing training.

A representative from the Southwest New Mexico Council of Governments thanked the council for asking the councils of governments to participate in the council's interim work.

**D** Representative Martinez thanked Mr. Lautman and Mr. Karpoff for their work with the council.

### **Adjournment**

There being no further business before the council, the seventh meeting of the Jobs Council for the 2013 interim adjourned at 1:45 p.m.

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